

# **Expanding Health Insurance Coverage for Utah's Uninsured Citizens**



## **The Utah Health Insurance Exchange**

**May 16, 2007**

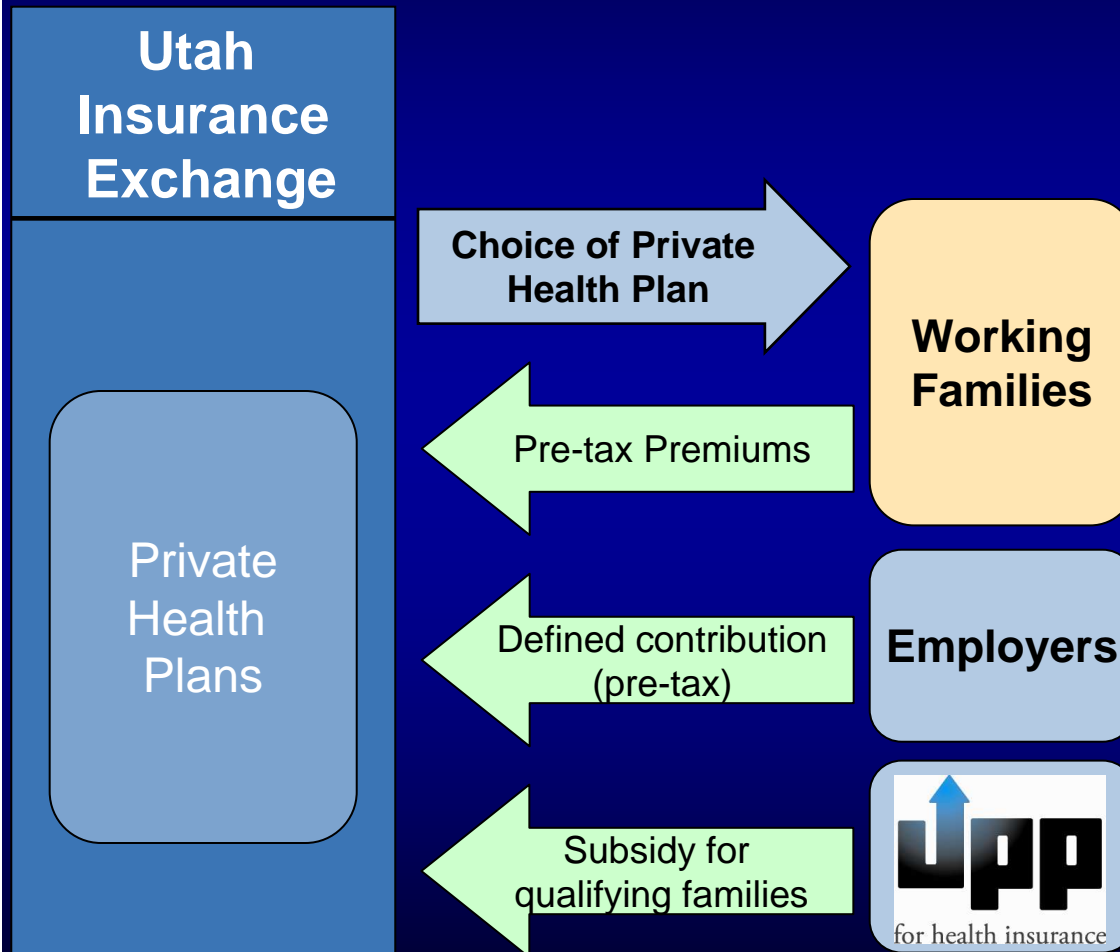
# Goals

- Make it easier and more attractive for Utah's individuals and families to purchase health insurance
- Give employers another tool to provide valuable benefits to Utah's workers

# Description of the Exchange

- The Exchange is not a risk pool
- It is a mechanism to facilitate purchase
- Legal structure to coordinate
  - Workers using pre-tax income
  - Employer contributions
  - Federal and state subsidies

# Insuring Individuals and Employees of Small Business



**The Utah Insurance Exchange** is a clearinghouse for private health plans.

- Employers offer a pre-tax health plan to all employees
- Allows employers to use a defined contribution system
- Working families choose plans to meet their needs
- Health insurance premiums are tax free
- Health insurance becomes portable and flexible

# The Exchange is a Clearinghouse

- Approved health insurance products
- Private insurance companies
- Collect and consolidate payments
- Forward funds to insurance companies

# Benefits for Employees

- Employees elect to participate
- Can select any offered plan for themselves and their family
- Information on cost and coverage comparisons
- Pre-tax withholding
- Portable and flexible coverage

## Benefits for Employers

- Choose to designate the Exchange as their group health plan
- No need to research, negotiate, or designate one option for all workers
- Voluntary contribution amounts
- Contributions from multiple employers can be pooled

# Public Subsidies

- Qualifying workers can apply for subsidies
- The Utah Premium Partnership for Health Insurance (UPP)
- Public dollars reduce employees' share of premiums



# Key Functions of the Exchange

- Approve products for inclusion
- Provide information to workers and individuals
- Facilitate enrollment and choice
- Collect and consolidate premium payments

# Employer Obligations

- Employers can still offer current group plans
- Those who do not must make the Exchange available
  - Set up the plan
  - Collect premiums
  - Submit premiums to the Exchange
- No contribution requirement

# Insurance Market Impact

- The Exchange is effectively the only marketplace for individual and family policies
- Possibly the sole marketplace for small group plans
- Insurers compete for business by offering attractive policies
- Exchange requirements would prevent niche products and cherry-picking

# Risk Sharing in the Exchange

- Some mechanism is needed to address uninsurable individuals
- Various options will be explored:
  - Community rating
  - Rating bands
  - Rate regulation
  - Reinsurance & HIP Utah

# Rate-setting in the Exchange

- Insurance companies choose their own rates
- Options for making applicant rating easier need to be incorporated

# The Role of Brokers in the Exchange

- Licensed and trained producers provide a valuable service
- Advice and counseling on plan selection
- Enrollment of individuals and groups
- Receive a commission for services rendered

# Advantages of the Exchange Model

- Affordability
- Combining Resources
- Simplified Process
- Private Solution
- Flexibility and Choice
- Portability

# Driving Up Volume

- Success requires volume
- Options for achieving successful volumes:
  - Individual Market
  - Small Group Market
  - Individual Responsibility